

PUBLIC DISCLOSURE

SEPTEMBER 25, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CHICOPEE MUNICIPAL EMPLOYEES CREDIT UNION

923 FRONT STREET
CHICOPEE, MA 01020

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, Massachusetts 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **CHICOPEE MUNICIPAL EMPLOYEES CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **SEPTEMBER 25, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

As an industrial credit union, Chicopee Municipal Employees Credit Union's CRA rating was based on the following three performance criteria: the average ratio of net loans to total shares and deposits; the distribution of loans according to the income of different borrowers and fair lending policies and practices. No assessment of geographic performance factors was conducted.

The rating of satisfactory is based on a reasonable distribution of loans to borrowers of all income levels, and a satisfactory performance with regard to fair lending policies and practices. The credit union's average ratio of net loans to total shares and deposits of 22.9 percent was not considered to meet satisfactory standards. The distribution of lending to borrowers of all income levels was given the greatest consideration in the overall evaluation. This criterion demonstrates most clearly the institution's record of helping to meet the credit needs of its entire membership, including low and moderate-income borrowers.

PERFORMANCE CONTEXT

Description of Institution

Chicopee Municipal Employees Credit Union is a state chartered industrial credit union founded in 1971. Membership in the credit union is open to employees of the City of Chicopee and their immediate family members, as well as state, federal, and municipal employees within a 30-mile radius of the main office. In January 2003, Chicopee Municipal Employees Credit Union's Board of Directors voted to expand its membership to include immediate family members of state, federal, and municipal employees within a 30-mile radius of the main office as well.

The institution's main office is located on Front Street, Chicopee and is its sole facility. There are no branch offices or ATM's

As of June 30, 2003, Chicopee Municipal Employees Credit Union had total assets of \$40,021,000 and total shares and deposits of \$36,762,000. Net loans amounted to \$9,089,000 and represented 22.7 percent of total assets. The following depicts the Chicopee Municipal Employees Credit Union's loan portfolio composition based on the NCUA 5300 Call Report of Condition.

Chicopee Municipal Employees Credit Union's Loan Portfolio as of June 30, 2003	
Type of Loans	% of Total Loans
Residential Real Estate	
a. Home Equity Lines (includes second mortgages)	15.3
Consumer Loans	
a. Unsecured Loans/Lines of Credit	17.5
b. Loans to Individuals/Other Loans	3.1
c. Vehicle Loans	64.1
Total Loans	100.0

Source: NCUA 5300 Report, 06/30/03

Consumer loan products represent the majority (84.7 percent) of the credit union's loan portfolio. The second largest segment of the loan portfolio was the credit unions newly offered Home Equity Lines of Credit, which represents 15.3 percent of the portfolio.

In January 2003, Chicopee Municipal Employees Credit Union began offering a Home Equity Line of Credit product. The minimum loan is \$7,500 up to a maximum of \$100,000 with a loan-to-value (LTV) of up to 80 percent. The product offers a variable rate with a ten-year draw period and a ten-year repayment period. Also, since the previous examination, the credit union now offers home equity loans. However, unlike the Home Equity Lines of Credit, these equity loans are underwritten based upon a monthly repayment schedule. The repayment schedule can range from 1-5 years, 6-10 years, or 11-15 years. The minimum loan for this product is \$10,000 up to a maximum of \$100,000 with a loan-to-value (LTV) of up to 80 percent.

Chicopee Municipal Employees Credit Union continues to offer unsecured personal loans up to \$15,000; new and used car loans with loan to values ranging from 80.0 percent to 95.0 percent; home improvement loans up to \$40,000; recreational vehicle loans, passbook, and certificate secured loans. The credit union also continues to grant personal loans for the purpose of debt consolidation.

Also new in 2003, Chicopee Municipal Employees Credit Union began to offer debit cards to its direct deposit members. The credit union chose NYSE as the servicer of these debit cards and joined the SUM network of financial institutions as it does not levy surcharges to foreign ATM customers.

There appears to be no legal or regulatory impediment that would effect the credit union in meeting the needs of its community. The Division of Banks conducted the previous Community Reinvestment Act (CRA) evaluation as of September 2, 1999. That examination resulted in a "Satisfactory" rating.

Description of Assessment Area

In accordance with 209 CMR 46.41(8), the Massachusetts CRA regulation, Chicopee Municipal Employees Credit Union has defined its membership as its assessment area. 209 CMR 46.41(8) states "Notwithstanding the requirements of 209 CMR 46.41, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area.

As of September 30, 2003, the credit union had 4,738 members and estimates its potential membership at 7,000.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT (SHARE) ANALYSIS

The first criterion evaluated is the credit union's net loans to total shares and deposit ratio. The credit union's performance for this criterion was found to be unsatisfactory and therefore is not considered to meet the standards for satisfactory performance.

An analysis of Chicopee Municipal Employees Credit Union's total loan to total deposit ratios was performed. The calculation incorporated seven quarters of the credit union's total loan to total deposit figures as reflected in its quarterly NCUA 5300 Reports. The quarters reviewed included the periods from June 30, 2001, through June 30, 2003. It should be noted that, prior to September 2002, the NCUA did not require a credit union having assets of less than \$50,000,000 to report the March and September cycles in a given year. As of June 30, 2002, Chicopee Municipal Employees Credit Union had total assets of \$39,551,413.

The credit union's loan to deposit ratio, on average, was 22.9 percent. This ratio has fluctuated from a low of 21.4 percent in June 2002, to a high of 24.7 percent in June 2003.

The following illustrates Chicopee Municipal Employees Credit Union's total loan to deposit ratios.

Chicopee Municipal Employees Credit Union's Loan to Deposit Ratios*			
Dates	Total Net Loans \$ (000)	Total Deposits \$ (000)	Ratio (%)
June 30, 2001	7,628	33,326	22.9
December 31, 2001	7,541	34,272	22.0
June 30, 2002	7,782	36,442	21.4
September 30, 2002	8,075	35,192	23.0
December 31, 2002	8,240	35,628	23.1
March 31, 2003	8,472	36,443	23.3
June 30, 2003	9,089	36,762	24.7

* Source: NCUA 5300 Reports.

Over the period reflected in the table, Chicopee Municipal Employees Credit Union's total loan portfolio increased by a substantial 19.2 percent while deposits grew by 10.3 percent. From June 30, 2002 through June 30, 2003, the credit union's loan portfolio increased by 16.8 percent, while deposits grew by a mere 0.9 percent.

The level of average net loans to total shares and deposits of 22.9 percent is considered to be low, however. A comparison of the loan to deposit ratios of other similarly- situated municipal employee credit unions confirms this finding. Refer to the following table:

LOAN TO DEPOSIT (SHARE) RATIOS OF CREDIT UNIONS			
Institution	Loans\$\$	SHARE \$\$	LTD Ratio%
Springfield Municipal Employees CU	30,226,627	59,497,067	51%
Springfield Teachers CU	31,164,863	85,555,378	36%
Worcester Firefighters	12,370,209	30630,087	40%
Chicopee Municipal Employees CU	9,153,613	36,762,172	25%

* Source: NCUA 5300 Reports.

As the table above indicates, Chicopee Municipal Employees Credit Union's loan to share ratio is the lowest of all the credit unions and is well below the next lowest loan to share ratio of Springfield Teachers Credit Union.

The low ratio appears to be a function of the nature of the institution's loan portfolio, rather than an unwillingness to lend. Since the Chicopee Municipal Employees Credit Union does not offer first mortgage loans, its loan to share ratios would be expected to be somewhat lower than other credit unions that offer mortgage loan products.

Therefore, the credit union's average net loan to total deposits (share) ratio does not meet satisfactory standards at this time. However, the volume of the institution's loan originations for the period reviewed demonstrates that Chicopee Municipal Employees Credit Union is an active consumer lender willing to meet the credit needs of its membership.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

This performance criterion evaluates the extent to which the institution lends to borrowers of different income levels within its membership/assessment area. The credit union's performance for this criterion was found to be reasonable and "Meet Standards for a Satisfactory Performance.

In calendar year 2001, Chicopee Municipal Employees Credit Union granted 718 consumer loans totaling \$5,110,426. The largest segment of these consumer loans was motor vehicle loans. During 2001, the credit union granted 215 motor vehicle loans representing 29.9 percent of the number of loans granted.

In 2002, the credit union granted 759 consumer loans totaling \$6,535,222. During this period, the credit union granted 264 motor vehicle loans representing 34.8 percent of the number of loans granted.

For the first six-months of 2003, the credit union granted 401 consumer loans totaling \$3,887,912. During this period, the credit union granted 174 motor vehicle loans representing 43.4 percent of the number of loans granted.

Therefore, the focus of the analysis was motor vehicle loans. A sample of 90 motor vehicle loans was taken and reviewed.

Originations were categorized by the ratio of the applicant's reported income to the 2001, 2002, and 2003 estimated median family incomes of the Springfield MSA which were \$49,700, \$50,700, and \$56,800 respectively.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

Refer to the following.

Distribution of Consumer Lending by Borrower Income								
Income Level	2001		2002		2003*		Total	
	#	%	#	%	#	%	#	%
Low	3	10.0	4	13.3	5	16.7	12	13.3
Moderate	10	33.3	7	23.3	11	36.7	28	31.1
Middle	8	26.7	9	30.0	4	13.3	21	23.3
Upper	9	30.0	10	33.4	10	33.3	29	32.3
Total	30	100.0	30	100.0	30	100.0	90	100.0

Source: Loan sample.

* Through June 30, 2003.

The above analysis demonstrates that low and moderate-income borrowers combined received 44.4 percent of the number of loans granted; while the middle income borrowers received 23.3 percent. Overall, the above loan distribution is reasonably dispersed among all income groups, particularly low and moderate-income applicants. The above analysis indicates that vehicle loans, as a credit product, serve a good cross-section of credit union members.

A review of the dispersion of the dollar volume of loans indicates that the distribution largely follows the same pattern as the above. However as expected, the dollar volume to low and moderate-income debtors (24.7 percent of the dollars) represented less of the total dollars extended, while the dollar volume to upper income borrowers (53.5 percent) represented a greater portion of total dollars.

Therefore, the sample's analysis demonstrated a reasonable distribution of loans granted to applicants of all income levels, particularly low and moderate-income applicants.

3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

There were no CRA related complaints received by the credit union for the period under review. The credit union's loan policy states that no member shall be denied credit based on race, color, national origin, religion, sex, marital status, or age. The following discussion of the credit union's fair lending practices are based on guidelines established by the Division of Banks Regulatory Bulletin 2.3-10.

The credit union's Manager/Chief Executive Officer, on an individual basis, provides training to staff members to ensure understanding of applicable laws and regulations. In addition, the credit union will send staff members to seminars provided by the Credit Union League of Massachusetts on issues that will enhance understanding and job performance.

The credit union has eleven full-time and one part-time employee. There is one individual who is bilingual in French. Loan officers are paid on a salary basis and strongly encouraged to make loans of all dollar amounts.

The credit union provides individual credit education and credit counseling on an informal basis. Loan officers work with loan applicants providing assistance as needed throughout the application and approval process. The credit union employs a second review process by which the Manager/Chief Executive Officer, the Credit Committee, and the Board of Directors reviews denied loans to ensure that compensating factors were applied fairly and equitably in each instance.

Minority Application Flow

The credit union is an industrial credit union, which grants consumer credit only. The Equal Credit Opportunity Act does not permit collection of racial data for consumer loans. Consequently a Minority Application Flow analysis was not conducted.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CHICOPEE MUNICIPAL EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **SEPTEMBER 25, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.